



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 11/30/2006

GAIN Report Number: NO6008

Norway

Retail Food Sector

Report

2006

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Report Highlights:

The food retail sector in Norway is largely integrated and a few major import/wholesale groups cover about 90% of the market. A new player entered the Norwegian food retail market in 2004 when the German discounter Lidl opened their first stores. Retailers are responding to the competition by opening new discount stores and developing their own low-priced private label. Also, there is a strong Nordic concentration as pan-Nordic mergers and cooperative agreements seek to achieve greater efficiencies and economies of scale to fend off other European competitors.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Stockholm [SW1]
[NO]

Section I. Market Summary

- Total grocery retail market turnover in Norway in 2005 reached US\$ 125 billion.
- Sales growth in 2005 was 3 percent compared to 5.2 percent in 2003.
- In 2004, total imports of agricultural, fish & forestry products by Norway reached US\$ 4.3 billion of which consumer-oriented high-value products was US\$ 1.9 billion.
- The U.S. share of Norway's agricultural, fish & forestry imports in 2004 amounted to US\$ 159 million, about 4 percent of Norway's total agricultural imports.
- 83 percent of retail food products are sold through grocery retail chains, 13 percent in gas stations and kiosks, and 4 percent by specialty stores.
- In 2005, grocery products were sold via 4,688 grocery stores and approximately 3,000 gas stations and kiosks.
- Four retail chains (Norgesgruppen, Coop Norge, Reitan Gruppen and ICA Norge) control about 90% of all retail food stores and also dominate grocery sales through gas stations and kiosks.
- Norway's retail sector reflects considerable excess capacity. Domestic store capacity and infrastructure can service as many as 7 to 8 million people, while the Norwegian population is only 4.6 million.
- Norway's four dominant retail chains are involved in the grocery trade in other Nordic countries as well. In order to strengthen their competitiveness in the region, Norwegian retailers have established relationships with other Nordic chains through mergers or cooperative agreements.
- In September 2004, the German retail chain Lidl entered the Norwegian market. Lidl had 46 stores in Norway in 2005.
- Private labeling accounts for about 11 percent of Norway's total grocery market.
- Swedish-Norwegian cross border trade reached a new high of NOK 9 billion (US\$ 1.4 billion) in 2005.

Advantages/Challenges

Advantages	Challenges
The United States is a preferred supplier to Norway for products such as tree nuts and dried fruits, both as branded products and for private label.	Norway's regulations and attitudes regarding products of biotechnology are prohibitive.
U.S. products have a reputation for high quality. The current favorable exchange rate enhances sales opportunities.	A lack of promotion and marketing activities in Norway by U.S. suppliers limits potential sales.
The United States is associated with new-to-market products.	Strong competition exists from European suppliers who benefit from preferential customs duties.
Recent mergers within the Nordic chains should bring higher sales volumes to U.S. suppliers that are already established in this market.	European discount stores (LIDL) have entered the Norwegian market with private brands.
Products that previously enjoyed access to only one of the Nordic markets, or had only small market share, could potentially increase market exposure throughout all Nordic countries via the new region-wide chain agreements.	Domestically produced food products are highly protected through tariff and non-tariff barriers.

Section II. Road Map for Market Entry**A. Grocery Stores (supermarkets, small supermarkets and discount stores)****Entry Strategy**

The Norwegian retail market is totally dominated by four retail chains -- Norgesgruppen A/S, Coop Norge, Reitan Gruppen and ICA Norge A/S. Combined, they control about 90 percent of the retail market. All of these chains either own or are owned by a wholesaler, both for grocery products as well as fruits and vegetables. Breaking into sales to these companies can be difficult for small and medium-sized companies without local representation.

All of the above chains require that imported products be delivered to their stores with the same facility and reliability that domestic suppliers provide. New-to-market exporters need an importer, wholesaler or agent to assist them with product clearances. Also, they must be ready to provide extensive marketing support to their importer.

New-to-market exporters should:

- Conduct early market research to assess product potential and existing competition.
- Find an agent, importer, wholesaler or domestic industry partner to assist with information on import duties, phytosanitary regulations, labeling requirements and competition.
- Personally visit Norway. This is not only advisable but necessary in order to build relationships with potential customers.
- Discuss market strategies and deliver capacity with your importer. Reliability of supply is crucial in this market.

General Import and Inspection Procedures

Beginning January 1, 1999, Norway adopted the rules and regulations of the EU in addition to its own domestic requirements related to the import of animal food products.

Imported animal products for food use must come from an EU-approved plant and be accompanied by the necessary certificates.

On January 1, 2005, Norway introduced the European notification system for transport of animal products and live animals, TRACES (TRAde Control and Expert System). Imports of animal products from third countries must be notified- by the importer- through the TRACES system. All other food imports (from third countries) such as vegetable feed, barley, potatoes and other non-animal food should be notified – by the importer – through the specific Norwegian Matilda VAM-system. Matilda VAM shall only be used for non-animal products. TRACES is used only for live animals and animal products.

From January 1, 2006, the Common Veterinary Entry Document (CVED) functions as advance notice for the import of animal products from third countries. No other specific import application or declaration is needed. However, Norway requires the importer to be registered and thus approved. The importer is responsible for filling out the CVED. The CVED can be filled out electronically in TRACES and then sent to the one of the Border Inspection Posts of the Norwegian Food Safety Authority, Mattilsynet, for approval.

Market Structure

Compared to other Nordic countries, the discount sector has a very high presence in Norway and accounts for approximately 50 percent of the food retail market, mostly due to high domestic food prices. Growth figures in the discount sector show no sign of leveling off. This has stirred interest among foreign players to enter the domestically dominated Nordic food retail market.

In 2004, the German discount chain Lidl entered the Norwegian market by simultaneously opening 10 stores. However, Lidl has had difficulties expanding as rapidly in Norway as it did in the EU countries. A year and a half after launch, Lidl has 46 outlets and only 1% market share in Norway. Norway still heavily protects domestic production with high import tariffs and other barriers to trade. In order to boost sales, Lidl recently signed agreement with

several Norwegian suppliers for well-known Norwegian brands. Private labels account for 85 percent of Lidl's food line.

Norwegian retailers are responding to the competition from Lidl by opening new discount stores and developing their own low-priced private label. Also, the retailers are continually working to make their chains operate more effectively.

Swedish-Norwegian cross border trade is increasing and was approximately SEK 9 billion (US\$ 1.4 billion) in 2005. Norwegians are increasing their purchases of much cheaper Swedish food products at supermarkets on the Swedish side of the Norway-Sweden border. Average food prices in Sweden are 26 percent cheaper than in Norway.

Distribution Systems - Consumer-Ready Food Products

In 2005, there were 4,150 grocery stores in Norway with turnover of NOK 125 billion (US\$ 20 billion). Grocery stores account for 83 percent of retail food sales including fresh, frozen, and canned goods as well as non-alcoholic beverages and non-food items. Kiosks and gas marts account for 13 percent and specialty stores such as bakeries, meat and candy shops account for the remaining 4 percent. In 2005, about 54 percent of Norwegian food distribution to retailers was handled by the following five large wholesale enterprises:

Major Distribution Companies/Chains

Company/Chain	Address	Phone/Fax
Asko Dagligvare (NorgesGruppen)	Parkveien 61, Postboks 2775 Solli, NO-0204 OSLO	Phone: (47) 24 11 31 00 Fax: (47) 24 11 31 01
ICA Distribusjon (ICA Norge A/S)	Sinsenveien 45, Postboks 6500 Rodelokka, N-0501 Oslo	Phone: (47) 23 05 5000 Fax: (47) 23 05 5001
Coop Norge Distribusjon (Coop Norge)	Ostre Aker vei 264 P. O.Box 21 Grorud N-0915 Oslo	Phone: (47) 22 89 9595 Fax: (47) 22 89 9745
REMA 1000 Norge A/S (Reitan Gruppen)	Grenseveien 88 Postboks 6428 Etterstad N-0605 Oslo	Phone: (47) 24 09 85 00 Fax: (47) 24 09 85 49
Engrospartner A/S (Reitan Gruppen)	Leiraveien 11 Postboks 163 N-2001 Lillestrøm	Phone: (47) 66 93 67 00 Fax: (47) 66 93 67 01

Norwegian Grocery Retail Chains and Market Share

The Norwegian retail grocery sector has undergone years of restructuring during which smaller chains have changed partners several times. The remaining chains, except for the largest group, Norgesgruppen AS, control the distribution of products from producers to consumers. Norgesgruppen AS is more of a buying group, with marketing handled

individually by the different smaller chains it supplies. Supermarkets, small supermarkets and discount stores make up about one third each of the total number of stores. Listed below are market shares and number of stores at the beginning of 2005.

Major Food Retailers

Chain	Phone and Fax	Number of Stores	Market Share (%)
Norgesgruppen AS Parkveien 61 P.O.Box 2775 Solli N-1007 Oslo	Phone: (47) 24 11 3100 Fax: (47) 24 11 3101	2,790	32.7
Coop Norge A Østre Aker vei 264 P.O.Box 21 Grorud N-0915 Oslo	Phone: (47) 22 89 9595 Fax : (47) 22 89 9745	886	20.3
Reitan Gruppen Lade Gaard Postboks 1840 N-7440 Trondheim	Phone: (47) 73 89 1000 Fax : (47) 73 89 1089	942	17.0
ICA Norge A/S Sinsenveien 45 P.O.Box 6500 Rodeløkka N-0501 Oslo	Phone: (47) 23 05 5000 Fax: (47) 23 05 5001	894	16.5
Others		4,688	13.5
Total		10,200	100.0

B. Gas Marts and Convenience Kiosks

Entry Strategy

New-to-market exporters should bear in mind that while there is a close connection between the larger grocery wholesalers and retail chains and the gas marts and kiosks, the gas marts and kiosks have their own organizations for buying and marketing. Close and personal contact with an importer and/or with buyers in these organizations is necessary in this sector, as well as for the larger chains, to achieve a good result. Main players include the largest gas stations (Statoil, Shell, Esso and Hydro/Texaco) and kiosks (Gyda butikkene and Deli de Luca). These stores specialize in basic grocery products and their consumers are not

as price sensitive. Therefore, there is greater receptivity to convenience foods and impulse-buy products.

Advice to new-to-market exporters:

- Meet with the major grocery retailers as they are the major suppliers in this sector.
- Calculate what your price would be in this market, including freight, duties and logistics.
- Have a clear idea of competition in your product category.

Company profiles

Gas marts make up 57 percent and kiosks 38 percent of a combined US\$ 3.4 billion turnover of grocery products at these two types of outlets. However, turnover in gas marts and kiosks has stagnated in the past two years as grocery stores have extended their evening and weekend opening hours.

GAS Marts

Gas Chains	Phone and Fax	Number of Outlets	Market Share (%)
Statoil Detaljhandel Sørkedalsveien 8 P.O.Box 1176 Sentrum N-0107 Oslo (1)	Phone: (47)22 96 2500 Fax: (47)22 96 2970	418	33
Norske Shell P.O.Box 1154 Sentrum N-0107 Oslo (2)	Phone: (47)22 66 5000 Fax: (47)22 66 5148	434	28
Esso Norge AS Drammensveien 149 P.O.Box 350 Skøyen N-0213 Oslo (2)	Phone: (47)22 66 3030 Fax: (47) 22 66 3777	326	21
YX Energi Drammensveien 134 N-0213 Oslo (3)	Phone: (47)22 12 4000 Fax: (47)22 12 4050	292	18

(1) Main supplier ICA

(2) Main supplier Asko/Norgesgruppen

(3) Reitán Servicehandel

Kiosks (convenience stores)

Kiosk chains	Phone and fax	Number of Stores	Market Share (%)
Mix Butikkene A/S Parkveien 60 Postbox 2606 Solli, 0203 Oslo	Ph: (47) 24 11 3500 Fax: (47) 24 11 3101	857	36
Narvesen Norge Bertrand Narvesensvei2 P.O.Box 6219 Etterstad N-0603 Oslo	Ph: (47) 81 50 0909 Fax: (47) 22 57 30 58	453	36
Gyda Butikkene BA P.O.Box 153 Kjelsås N-0411 Oslo	Ph: (47) 22 02 6460 Fax: (47) 22 02 6470	180	6
Small Shops Norge Vitaminveien 11A P.O.Box 11 Greffen N-0409 Oslo	Ph: (47) 22 71 1122 Fax: (47) 22 71 1970	78	13
Others			9

Section III. Competition**Market Trends**

When seafood is excluded, Norway is a net importer of agricultural products. In 2004, imports (excluding seafood) totaled US\$ 3.87 billion and exports were valued at roughly US \$900 million. About half of Norway's food and agricultural product sector imports are consumer-oriented high-value products. Most of these come under the horticultural and tropical products group. Major imports are fresh fruits (oranges, bananas, apples and grapes), dry edible nuts, fruit and vegetable juices, fresh vegetables, snacks, chocolate and chocolate products, wines, pet food, live plants, cut flowers and foliage.

The U.S. share of Norway's 2004 agricultural product imports was 4 percent (US\$ 159 million). The bulk of U.S. exports to Norway included cereals, leaf tobacco, processed fruit and vegetables, fresh fruits, fruit and vegetable juices, nuts, rice, wine and beer.

Section IV. Best Product Prospects

The best prospects within Norway's retail food sector are products not produced domestically or those containing ingredients not produced in Norway. High tariffs and considerable documentation and controls present obstacles to market entry.

A. The best market prospects in Norway include rice, tropical fruits (both fresh and canned), fresh vegetables, and a full range of consumer-oriented high-value products such as snack foods, processed fruit and vegetables, fruit and vegetable juices, tree nuts, pet foods, wine and beer. The U.S. market share is largest in the dried fruit and nut sector, where the U.S. has captured about 70 percent of imports. Raisins and prunes dominate dried fruit imports from the U.S. and almonds, peanuts and walnuts dominate the nut import sector. Sales of U.S. rice have also been strong, with an achieved market share of about 10 percent. In the category of processed vegetables, U.S. canned corn is the most popular, with a market share of more than 60 percent.

B. Too little attention has been paid to the Norwegian fresh fruit and vegetable market in the past few years. The U.S. has lost market share, primarily due to insufficient marketing and lack of market presence. Shipping terms and the lack of personal contact between U.S. exporters and their Norwegian customers are principal reasons given by Norwegian importers as to why U.S. export business in this category has declined.

C. A number of products face high tariff barriers in the Norwegian market. This is particularly true of products containing meat, fruit, vegetables and dairy products that compete directly with domestically produced Norwegian products. In addition, Norway has implemented a ban on hormone-treated meat. Norwegian regulations and attitudes concerning bio-engineered products and product ingredients are prohibitive. Should the market open, Norway will require import approval by the authorities noted below as well as labeling of such products.

Section V. Further Information and Post Contact

Norwegian Food Safety Authority (Mattilsynet)

Ullevålsveien 76, Oslo
P.O. Box 383
N-2381 Brumunddal
Email: postmottak@mattilsynet.no
www.mattilsynet.no
Phone: +47 23 21 6800
Fax: +47 23 21 68 01

The above state agency is responsible for product approval, labeling, additives, and administration of food safety regulations for imported and domestic products.

Statens Landbruksforvaltning (Norwegian Agricultural Authority)

Dep. Trade and Industry
P.O.Box 8140 Dep.
N-0033 Oslo
E-mail: postmottak@slf.dep.no
Phone: +47 24 13 10 00
Fax: +47 24 13 10 05

The above state agency handles customs duties for industrially processed agricultural products based on product ingredients reported by the importer. It also handles administrative functions related to import/supply needs of the country, as well as the auction of quotas under the WTO agreement. In dealing with this agency, a local Norwegian agent or importer would be the best means of contact.

Federation of Norwegian Commercial Agents (Norske Agenters Landsforening)

Drammensveien 30

N-0230 Oslo

Norway

Phone: +47 22 44 68 33

Fax: +47 22 44 94 35

This association issues a monthly publication in which proposals from foreign firms seeking agents/distributors in Norway are published.

Statistic Norway

Kongens gate 6

N-0033 Oslo

Norway

Phone: +47 21 09 00 00

Fax: +47 21 09 49 73

Web: www.ssb.no

This agency produces a wide variety of statistical information on imports.

Norwegian Customs and Excise

P.O.Box 8122 Dep.

N-0032 Oslo

Phone: +47 22 86 03 00

Email: tad@toll.no

Web: www.toll.no

For further information, please contact:

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